

Message Text

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SUBJECT: US/BRAZIL MINTERALS COOPERATION IN POST-AID ERA

REF: BRASILIA A-78

1. SUMMARY. THE EMBASSY WISHES TO PUT FORWARD SUGGESTIONS TO AMELIORATE THE EFFECTS OF THE AID PHASEOUT ON US COOPERATION WITH THE MINERALS SECTOR IN BRAZIL. AID/US GEOLOGICAL SURVEY COOPERATIVE PROGRAMS HAVE CONTRIBUTED SUBSTANTIALLY OVER THE YEARS TO IMPROVE BRAZIL'S CAPABILITIES IN THE MINERALS FIELD. US MINERALS INTERESTS IN BRAZIL REMAIN CRITICAL: A) BRAZIL IS AN IMPORTANT AND EXPANDING MINERALS PRODUCER, B) BRAZIL IS RECEPTIVE TO FOREIGN PARTICIPATION IN MINERALS PROJECTS, C)THE GOB, THUS FAR, HAS NOT SUPPORTED ONE SIDED, HARMFUL MINERALS CARTELS, AND D) THEREFORE, BRAZIL IS A KEY ALTERNATIVE SOURCE OF SUPPLY FOR MANY IMPORTANT MINERALS, NOW AND EVEN MORE SO IN THE FUTURE. THE EMBASSY RECOMMENDS THAT EARLY CONSIDERATION BE GIVEN TO THE CONTINUANCE OF US/BRAZIL TECHNICAL COOPERATION IN THE MINERALS FIELD IF THE BRAZILIANS EXPRESS SUFFICIENT INTEREST. END SUMMARY.

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2. THE EMBASSY WISHES TO PUT FORWARD SUGGESTIONS TO AMELIORATE THE EFFECTS OF THE AID PHASE-OUT ON US COOPERATION WITH, AND INTERESTS IN, BRAZIL'S MINERALS SECTOR. . FOR MORE THAN THREE DECADES THE USG HAS MAINTAINED CLOSE AND VALUABLE RELATIONS WITH BRAZIL'S MINERALS AGENCIES. THE US GEOLOGICAL SURVEY (USGS) HAS PLAYED A CENTRAL ROLE IN THE DEVELOPMENT OF THE GOB AGENCIES FOR MINERALS POLICY (DNPM) AND FOR WATER PLANNING AND REGULATION (DNAEE). MUCH OF BRAZIL'S MINERALS LITERATURE AND MAPS WERE PREPARED BY THE USGS, AND THEY CONTINUE TO BE ACKNOWLEDGED AS THE CLASSICS IN THEIR FIELDS. USGS WORK IN DEFINING THE POTENTIAL OF THE "IRON QUADRANGLE" IN MINAS GERAIS HAS CONTRIBUTED TO BRAZIL'S CURRENT POSITION AS A LEADING IRON ORE EXPORTER. IN TERMS OF TRAINING, MORE THAN 200 BRAZILIAN SCIENTISTS, ENGINEERS AND TECHNICIANS HAVE BEEN TRAINED IN THE US UNDER USGS'S EXCHANGE PROGRAM.

3. PARTLY AS A RESULT OF THESE COOPERATIVE PROGRAMS, BRAZIL HAS EMERGED AS AN IMPORTANT MINERALS PRODUCER:

- BESIDES IRON ORE, BRAZIL IS THE LEADING EXPORTER OF NIOBIUM, QUARTZ CRYSTAL AND BERYL;
- IT IS NUMBER TWO IN MANGANESE, AND WITHIN THE NEXT FIVE YEARS IT WILL BECOME A MAJOR PRODUCER OF BAUXITE, NICKEL AND PHOSPHATE;
- EXCELLENT POTENTIAL EXISTS FOR THE DEVELOPMENT OF DEPOSITS OF URANIUM, TITANIUM, TUNGSTEN, CHROME, TIN, ASBESTOS, POTASH, NON-METALLURGICAL COAL, DIAMONDS AND A NUMBER OF OTHER IMPORTANT STRATEGIC INDUSTRIAL AND AGRICULTURE MINERALS;
- BRAZIL'S RESOURCES OF THORIUM AND OIL SHALE ARE PROBABLY THE LARGEST IN THE WORLD;
- SUBSTANTIAL (THOUGH TO DATE UNDISCOVERED) RESERVES OF PETROLEUM MAY BE LOCATED ALONG THE COUNTRY'S CONTINENTAL SHELF;
- BRAZIL ALSO IS RAPIDLY DEVELOPING ITS METALS INDUSTRIES, ESPECIALLY STEEL, ALUMINUM, AND FERRO-ALLOYS TO MAKE THEM AMONG THE WORLD'S LARGEST.

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4. IN ADDITION TO HAVING SUBSTANTIAL RESOURCES ACCESSABLE TO THE US, BRAZIL ALSO HAS OTHER ADVANTAGES AS A SOURCE OF SUPPLY TO THE US: POLITICAL AND ECONOMIC STABILITY, A FAVORABLE MINING CODE, AND A RELATIVELY FAVORABLE ATTITUDE TOWARD PRIVATE AND FOREIGN INVESTMENT. FURTHERMORE, THE GOB THUS FAR HAS NOT SUPPORTED ONE-SIDED, HARMFUL MINERAL CARTELS AND PRODUCER ORGANIZATIONS. IN VIEW OF ALL THESE FACTORS, WE

BELIEVE THAT WE SHOULD SEEK WAYS TO CONTINUE OUR WELL-ESTABLISHED MINERALS PROGRAM IN BRAZIL. WE APPRECIATE THE REASONS FOR THE PLANNED CUT-OFF OF COOPERATION, NAMELY THE PHASE-OUT OF THE AID PROGRAM AND THE FACT THAT THE LEGISLATION APPLICABLE TO THE USGS AND BUREAU OF MINES DOES NOT ALLOW FOR OVERSEAS PROGRAMS OF THEIR OWN. AS WE WIND UP OUR OFFICIAL MINERALS ACTIVITIES IN BRAZIL, HOWEVER, OTHER NATIONS ARE STARTING THEIRS, INCLUDING WEST GERMANY, CANADA, AND JAPAN.

5. RECOMMENDATION:

THE EMBASSY RECOMMENDS THAT EARLY CONSIDERATION BE GIVEN TO THE CONTINUANCE OF US/BRAZIL TECHNICAL COOPERATION IN THE MINERALS FIELD IF THE BRAZILIANS EXPRESS SUFFICIENT INTEREST. THE CUNTING OF OUR CURRENT AID/USGS PROGRAM IS DUE TO EXPIRE AT THE END OF CY 1975. IF AN ONWARD MINERALS PROGRAM WITH BRAZIL IS DEEMED POSSIBLE, WE SUGGEST THAT A MISSION BE SENT TO BRAZIL TO EXPLORE THE BEST AREAS FOR CONTINUED COOPERATION, UTILIZING FAA SECT. 661 FUNDS, SUBJECT TO AN INDICATION BY THE GOB THAT IT IS WILLING, IN PRINCIPLE, TO CONTRACT FOR DOLLAR REIMBURSABLE LOANS WITH THE USGS FOR THE DEVELOPMENT OF A MUTUALLY-AGREED PROGRAM. WHILE THE USGS'S RECENT EFFORTS HAVE CONCENTRATED ON TRAINING, WE BELIEVE WE SHOULD NOW LOOK BEYOND THIS ASPECT TO OTHER POSSIBLE FORMS OF NON-AID FINANCED ASSISTANCE. FOR EXAMPLE, WE MIGHT CONSIDER THE MERITS OF DETAILED GEOLOGICAL MAPPING, GEOPHYSICAL AND GEO-CHEMICAL, OR HYDROLOGY PROJECTS IN SPECIFIC LOCATIONS OF HIGH MINERALS POTENTIAL. AN IMAGINATIVE PROGRAM IN ONE OF MORE OF THESE AREAS WOULD BE OF MUTUAL BENEFIT TO BRAZIL AND THE US BY PROVIDING VALUABLE LIMITED OFFICIAL USE

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INFORMATION TO ALL EXPLORATIONISTS, HELPING TO BRING PROMISING MINERALS DEPOSITS CLOSER TO THE MINING STAGE, AND EVENTUALLY PUTTING MORE MINERALS AND METALS ONTO THE WORLD MARKET.
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